ATACO STEEL PRODUCTS CORPORATION
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PMA PRECISION METALFORMING ASSOCIATION

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Witness Statement for ITC Hearing of June 19, 2003
Re: Section 332(g), Tariff Act of 1930
Steel-consuming Industries: Competitive Conditions with Respect to Steel Safeguard Measures.

To be presented by Bill Jens:

ATACO Steel Products Corporation is a metal stamping and fabricating company with 90 employees. We have a single facility, located in Cedarburg, WI, about 20 miles north of Milwaukee. The International Association of Machinists and Aerospace Workers represent our shop workers. This family-owned company was started in 1946, and I am the second owner. I am also the President and CEO.

My company manufactures metal components for automotive, off-road, electric motor, material handling, and lawn & garden companies. Our market is throughout the U.S., with some exports to Canada, Mexico, Germany, and South America.

Our facility has metal stamping equipment with capacities ranging from 30 tons to 1700 tons. This gives us the ability to produce large, deep-drawn parts from cold and hot-rolled carbon steel sheets or coils. On an annual basis, we purchase an average of 22 million pounds of steel. Since March of 2002, we have seen our steel prices increase by as much as 50%. Coupled with that, the quality of the steel from domestic suppliers has deteriorated. Our rejection rate for incoming steel on our major product line has gone from 0.5% to 6.8%. After the imposition of the tariffs, we found that our steel suppliers were not able to meet the demand for quantity, and the quality suffered. On-time delivery of steel declined from 97% the six months immediately prior to the tariffs to 89.5% for the six months immediately after the tariffs. Our customers demand high quality products on a timely basis, and we need to start with high quality raw materials.

In early 2001, our largest customer selected us to begin production of steel decks for a new line of walk-behind lawn mowers. Based on expected production costs, a guaranteed first year production quantity, and the expectation of a long-term relationship, we invested over $1.2 million in new equipment for an automated production line (show video of line at this time). Production began in the Fall of 2001, and ramped up to over 3,000 units per day, using a three-shift operation which employed 12 direct people dedicated to this job, and two tool & die makers to maintain the dies. At the start of production, we were buying steel at $.1795 per pound. After the tariffs were in force, the price spiked up to $.2725 per pound. This was a 51.8% increase in raw material cost.

The material component of the selling price was 60% at $.1795 per pound. At $.2725 per pound, the material component was 92%. We were forced to pass this increase on to our customer; since it was impossible for us not to if we were to stay in business. Our customer's annual usage is approximately 675,000 decks. On an annualized basis, they have paid $1,566,000 more for their parts because of the tariffs. Our customer had been testing the waters in Mexico to run this part, but with our automation and low labor input, we felt we could maintain this work. However, with the increased annual cost because of the tariffs, and their ability to buy less expensive material in Mexico, it was easy for our customer to make the decision to move the job to Mexico.

We are facing similar challenges with other customers. We can't give a competitive quote if we have to pay 30% more for raw material than a foreign producer.

We anticipate our revenues will decline by as much as 45% as a result of the tariffs. The slowing of the economy can be partly blamed for this, but based on the requests for quotations we have received, we know that there is stamping work out there; we're just not competitive in our cost of steel. We have quoted on significant packages where the winning bid was less than our cost of material. As others in our metal fabricating industry have done, we anticipate layoffs before year-end. This means the loss of good paying union jobs for many of our employees. Long-term, without tariff relief, the closing of our business may be inevitable.

We're looking for an end to the steel tariffs at the mid-point review. Production lost up to now will probably not be recovered, but at least we'll have a chance to be competitive in new business.

WH Jens
President / CEO